

BENNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

BENNETT COMMUNITY SCHOOL DISTRICT

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BENNETT COMMUNITY SCHOOL DISTRICT  
Officials  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Chad Petersen	Board President	2017
Brian Banta	Board Vice-President	2017
Ross Kleppe	Board Member	2015
Devin Moeller	Board Member	2015
Lisa Syring	Board Member	2017
<b>School Officials</b>		
David Larson	Superintendent	2016
Lonna Moeller	District Secretary/Treasuer	Indefinite
Brian Gruhn	Attorney	Indefinite

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
Bennett Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Bennett Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 29, 2016 on my consideration of Bennett Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Bennett Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 29, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,233,454 in fiscal 2014 to \$2,035,076 in fiscal 2015, and General Fund expenditures decreased from \$2,086,767 in fiscal 2014 to \$2,054,769 in fiscal 2015. The District's General Fund balance decreased from \$476,360 in fiscal 2014 to \$463,667 in fiscal 2015, a 3% decrease.
- The decrease in General Fund revenues was attributable to several areas but the two major areas were a decrease in sale of equipment and not having revenue that qualified to transfer from other funds. The expenditures remained stable. The reason the General Fund balance decreased is because the decrease in revenues was greater than the decrease in expenses.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Bennett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.



Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Bennett Community School District Annual Financial Report***

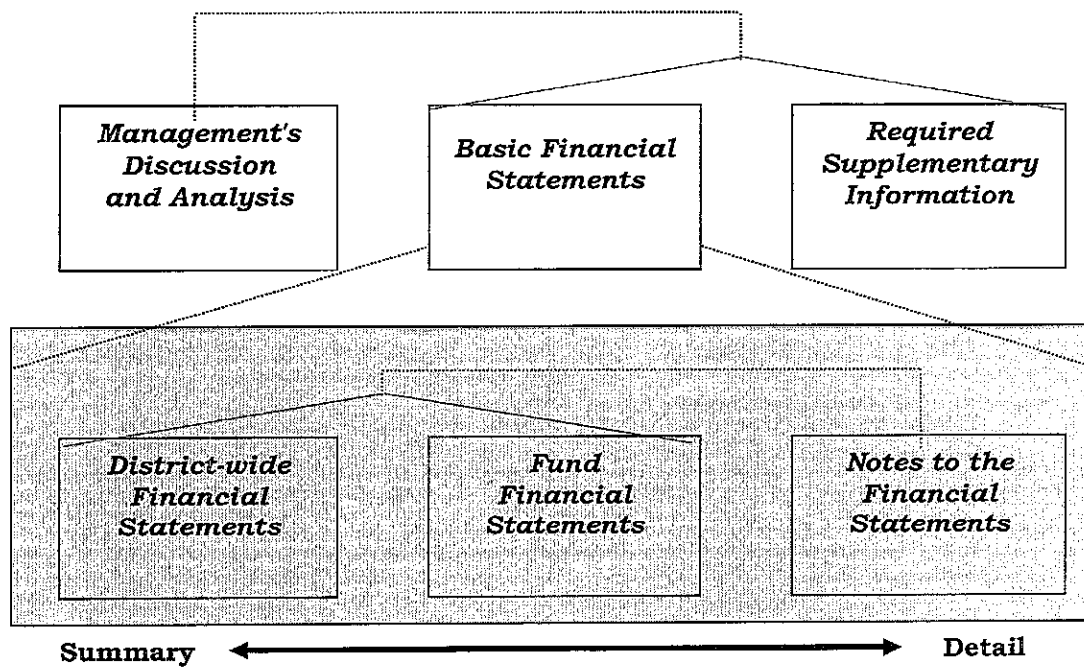


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference

reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and daycare program are included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Capital Projects Funds and Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. During fiscal 2015, the District had two Enterprise Funds, the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$2,620,446	\$2,784,838	\$ 11,943	\$ 2,912	\$2,632,389	\$2,787,750	-5.57%
Capital assets	<u>1,124,120</u>	<u>755,239</u>	<u>9,712</u>	<u>6,614</u>	<u>1,133,832</u>	<u>761,853</u>	48.83%
Total assets	<u>3,744,566</u>	<u>3,540,077</u>	<u>21,655</u>	<u>9,526</u>	<u>3,766,221</u>	<u>3,549,603</u>	6.10%
Deferred outflows of resources	<u>98,181</u>	<u>-</u>	<u>2,546</u>	<u>-</u>	<u>100,727</u>	<u>-</u>	100.00%
Long-term liabilities	663,532	199,964	6,778	-	670,310	199,964	235.22%
Other liabilities	<u>265,450</u>	<u>200,954</u>	<u>4,895</u>	<u>288</u>	<u>270,345</u>	<u>201,242</u>	34.34%
Total liabilities	<u>928,982</u>	<u>400,918</u>	<u>11,673</u>	<u>288</u>	<u>940,655</u>	<u>401,206</u>	134.46%
Deferred inflows of resources	<u>1,383,920</u>	<u>1,137,642</u>	<u>2,585</u>	<u>-</u>	<u>1,386,505</u>	<u>1,137,642</u>	21.88%
Net position							
Net investment in							
capital assets	610,982	610,982	9,712	6,614	620,694	617,596	0.50%
Restricted	837,617	1,101,767	-	-	837,617	1,101,767	-23.98%
Unrestricted	<u>81,246</u>	<u>288,768</u>	<u>231</u>	<u>2,624</u>	<u>81,477</u>	<u>291,392</u>	-72.04%
Total net position	<u>\$1,529,845</u>	<u>\$2,001,517</u>	<u>\$ 9,943</u>	<u>\$ 9,238</u>	<u>\$1,539,788</u>	<u>\$2,010,755</u>	-23.42%

The District's total net position decreased by approximately 23%, or \$470,967 from the prior year. The largest portion of the District's net position is the restricted net position. One portion of net position is Invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$264,150, or approximately 24% from the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund mainly from the solar project and an increase in net position restricted for the required bond reserve and pension liabilities.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$209,915, or approximately 72%. This reduction in unrestricted net position was primarily the result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$550,854 and \$8,389, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2015</u>	<u>2014 (Not restated)</u>	<u>2015</u>	<u>2014 (Not restated)</u>	<u>2015</u>	<u>2014 (Not restated)</u>	<u>2014-2015</u>
Revenues							
Program revenues							
Charges for service	\$ 89,484	\$ 114,913	\$ 43,687	\$ 45,250	\$ 133,171	\$ 160,163	-16.85%
Operating grants	301,782	307,394	26,099	21,748	327,881	329,142	-0.38%
General revenues							
Property tax	1,140,143	1,011,655	-	-	1,140,143	1,011,655	12.70%
Statewide sales, services and use tax	182,780	171,565	-	-	182,780	171,565	6.54%
Unrestricted state grants	607,568	725,530	-	-	607,568	725,530	-16.26%
Contributions and donations	6,924	11,215	-	-	6,924	11,215	-38.26%
Unrestricted investment earnings	1,484	1,382	-	-	1,484	1,382	7.38%
Other	<u>55,095</u>	<u>4,008</u>	<u>-</u>	<u>-</u>	<u>55,095</u>	<u>4,008</u>	1274.63%
Total revenues	<u>2,385,260</u>	<u>2,347,662</u>	<u>69,786</u>	<u>66,998</u>	<u>2,455,046</u>	<u>2,414,660</u>	1.67%
Program expenses							

Governmental activities							
Instruction	1,566,801	1,601,320	-	-	1,566,801	1,601,320	-2.16%
Support services	605,247	612,880	-	-	605,247	612,880	-1.25%
Non-instructional programs	2,459	1,716	60,692	65,130	63,151	66,846	-5.53%
Other expenses	<u>131,571</u>	<u>130,709</u>	<u>-</u>	<u>-</u>	<u>131,571</u>	<u>130,709</u>	0.66%
Total expenses	<u>2,306,078</u>	<u>2,346,625</u>	<u>60,692</u>	<u>65,130</u>	<u>2,366,770</u>	<u>2,411,755</u>	-1.87%
Gain on sale of capital asset	<u>-</u>	<u>93,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,905</u>	-100.00%
Change in net position	79,182	94,942	9,094	1,868	88,276	96,810	-8.82%
Net position beginning of year, as restated	<u>1,450,663</u>	<u>1,906,575</u>	<u>849</u>	<u>7,370</u>	<u>1,451,512</u>	<u>1,913,945</u>	-24.16%
Net position end of year	<u>\$ 1,529,845</u>	<u>\$ 2,001,517</u>	<u>\$ 9,943</u>	<u>\$ 9,238</u>	<u>\$ 1,539,788</u>	<u>\$ 2,010,755</u>	-23.42%

In fiscal 2015, property tax and unrestricted state grants account for approximately 74% of governmental activities revenue while charges for service and sales and operating grants and contributions account for 100% of business type activities revenue. The District's total revenues were \$2,455,046 of which \$2,385,260 was for governmental activities and \$69,786 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% increase in revenues and a 2% decrease in expenses. Property tax revenue increased \$128,478 to fund expenditures.

### Governmental Activities

Revenues for governmental activities for the year ended June 30, 2015 were \$2,385,260 and expenses were \$2,306,078. The revenue was higher than the previous year due mainly to an increase in property tax revenue. Expenses were lower than the previous year with a decrease in both instruction and support services.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 1,566,801	\$ 1,601,320	-2.2%	\$ 1,252,108	\$ 1,255,495	-0.3%
Support services	605,247	612,880	-1.7%	605,047	612,138	-1.2%
Non-instructional programs	2,459	1,716	43.3%	2,459	1,716	43.3%
Other expenses	<u>131,571</u>	<u>130,709</u>	0.7%	<u>55,198</u>	<u>54,969</u>	0.4%
Total expenses	<u>\$ 2,306,078</u>	<u>\$ 2,346,625</u>	-1.8%	<u>\$ 1,914,812</u>	<u>\$ 1,924,318</u>	-0.5%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$89,484.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$301,782.
- The net cost of governmental activities was financed with \$1,322,923 in property and other taxes and \$607,568 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2015 were \$69,786 representing a 5% increase over the prior year, while expenses totaled \$60,692, a 7% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, and federal and state reimbursements.

The increase in revenues from 2014 was due to increased revenue from starting a daycare (before and after school program).

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Bennett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,142,020, well below last year's ending fund balances of \$1,447,726. The primary reason for the decrease in combined fund balances in fiscal 2015 is due to a decrease in revenue in the General Fund and an increase in expenditures in the Capital Projects Fund.

### **Governmental Fund Highlights**

- The District's General Fund's slightly declining financial position is the result of many factors. The decrease in revenues was attributable to several areas but the two major areas were a decrease in sale of equipment and not having revenue that qualified to transfer from other funds. The expenditures remained stable due to a wage freeze and cutting the hours of some positions.
- The General Fund balance decreased from \$476,360 to \$463,667 due to a decrease in revenues and expenditures remaining stable, as explained above.
- The Management Fund balance increase from \$55,042 to \$71,352 due to tax revenues exceeding the expenditures for liability insurance and an early retirement.
- The Physical Plant and Equipment Levy Fund balance decreased from \$355,483 in 2014 to \$340,252 in 2015, due to an increase in expenditures.
- The Statewide Sales, Services and Use Tax Fund balance decreased from \$551,752 in 2014 to \$260,091 in 2015. The primary reason for this decrease was an increase in expenses, particularly in the area of building improvement. Several projects were completed in FY15, including the solar project.

## **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$849 at June 30, 2014 to \$9,943 at June 30, 2015, representing an increase of approximately 1,072%. The District had a slight increase in the prices for breakfasts and lunches in 2015. The increase was due to increased revenue from donations and contributions and a slight decrease in food expenses. However, the District also reflected the pension liability and related expense in the current year, which caused an overall reduction in net position.

## **BUDGETARY HIGHLIGHTS**

Bennett Community School District did not amend its annual budget during the year ended June 30, 2015.

The District's total revenues were \$120,249 less than total budgeted revenues, a variance of approximately 5%. The reason for this is decreased enrollment and less state revenue than expected.

Total expenditures were \$21,035 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to spending more in that area than budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$1,133,832, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 49% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$70,495.

The original cost of the District's capital assets was \$2,736,653. Governmental funds account for \$2,678,476, with the remainder of \$58,177 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category, which increased from \$415,200 in 2014 to \$798,594 in 2015. This increase was a result of some major purchases made during the 2015 fiscal year, including three buses and an additional vehicle.



Figure A-6

## Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 2,210	\$ 2,210	\$ -	\$ -	\$ 2,210	\$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	315,828	327,243	-	-	315,828	327,243	-3.49%
Furniture and equipment	<u>788,882</u>	<u>408,586</u>	<u>9,712</u>	<u>6,614</u>	<u>798,594</u>	<u>415,200</u>	92.34%
Totals	<u>\$1,124,120</u>	<u>\$ 755,239</u>	<u>\$ 9,712</u>	<u>\$ 6,614</u>	<u>\$1,133,832</u>	<u>\$ 761,853</u>	48.83%

**Long-Term Debt**

At June 30, 2015, the District had \$670,310 of total long-term debt outstanding. This represents a decrease of approximately 19% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4.5 million.

Figure A-7

## Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2015	2014 (restated)	2014-2015
Governmental activities			
Capital leases	\$116,964	\$ 144,257	-18.92%
Early retirement	46,170	10,000	361.70%
Net pension liability	445,164	616,444	-27.79%
Net OPEB liability	<u>55,234</u>	<u>45,707</u>	20.84%
	663,532	816,408	-18.73%
Business type activities			
Net pension liability	<u>6,778</u>	<u>9,386</u>	-27.79%
Total	<u>\$670,310</u>	<u>\$ 825,794</u>	-18.83%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District has experienced declining enrollment for the last several years. Projections are for it to stabilize or continue to decline gradually. Grades PreK-6 will be impacted if the decline in enrollment accelerates.
- The District has a five-year whole grade sharing agreement with the Durant School District and the Tipton School District ending in 2016. Grades 7-12 will be serviced by the Durant and Tipton School Districts. The transition has had an economic impact on the District, with payment of 80% of the cost per pupil for those five years coming from the General Fund and 20% of the cost per pupil coming from the SAVE fund. Also, transportation costs are paid by those respective districts.
- The District negotiated a one-year contract with the Bennett Education Association for 2015-2016 with a package decrease of 0.97%. There will be a 3.85% increase in the health insurance premiums for the 2016-2017 plan year. The teachers who elect family coverage are paying \$100.00 per month and the administrative staff who elects family coverage are paying \$50.00 per month.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lonna Moeller, Board Secretary/Treasurer, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

## Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,327,663	\$ 9,793	\$ 1,337,456
Receivables			
Property tax			
Delinquent	9,493	-	9,493
Succeeding year	1,214,153	-	1,214,153
Accounts receivable	24,816	21	24,837
Due from other governments	44,321	-	44,321
Inventories	-	2,129	2,129
Non-depreciable capital assets	19,410	-	19,410
Capital assets, net of accumulated depreciation	1,104,710	9,712	1,114,422
Total assets	<u>3,744,566</u>	<u>21,655</u>	<u>3,766,221</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>98,181</u>	<u>2,546</u>	<u>100,727</u>
<b>Liabilities</b>			
Accounts payable	193,770	4,895	198,665
Salaries and benefits payable	70,503	-	70,503
Accrued interest payable	1,177	-	1,177
Long-term liabilities			
Portion due within one year			
Capital leases payable	66,371	-	66,371
Early retirement payable	21,170	-	21,170
Portion due after one year			
Capital leases payable	50,593	-	50,593
Early retirement payable	25,000	-	25,000
Net pension liability	445,164	6,778	451,942
Net OPEB liability	55,234	-	55,234
Total liabilities	<u>928,982</u>	<u>11,673</u>	<u>940,655</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,214,153	-	1,214,153
Pension related deferred inflows	169,767	2,585	172,352
Total deferred inflows of resources	<u>1,383,920</u>	<u>2,585</u>	<u>1,386,505</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 610,982	\$ 9,712	\$ 620,694
Restricted for			
Categorical funding	159,264	-	159,264
Management levy	71,352	-	71,352
Physical plant and equipment levy	340,252	-	340,252
Student activities	6,658	-	6,658
School infrastructure	260,091	-	260,091
Unrestricted	81,246	231	81,477
Total net position	<u>\$ 1,529,845</u>	<u>\$ 9,943</u>	<u>\$ 1,539,788</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities							
Instruction							
Regular instruction	\$ 1,237,576	\$ 59,618	\$ 216,454	\$ -	\$ (961,504)	\$ -	\$ (961,504)
Special instruction	235,463	29,866	8,755	-	(196,842)	-	(196,842)
Other instruction	93,762	-	-	-	(93,762)	-	(93,762)
	<u>1,566,801</u>	<u>89,484</u>	<u>225,209</u>	<u>-</u>	<u>(1,252,108)</u>	<u>-</u>	<u>(1,252,108)</u>
Support services							
Student	26,190	-	-	-	(26,190)	-	(26,190)
Instructional staff	25,296	-	-	-	(25,296)	-	(25,296)
Administration	264,618	-	-	-	(264,618)	-	(264,618)
Operation and maintenance of plant	152,231	-	-	-	(152,231)	-	(152,231)
Transportation	136,912	-	200	-	(136,712)	-	(136,712)
	<u>605,247</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>(605,047)</u>	<u>-</u>	<u>(605,047)</u>
	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,459)</u>	<u>-</u>	<u>(2,459)</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	20,059	-	-	-	(20,059)	-	(20,059)
Long-term debt interest	3,613	-	-	-	(3,613)	-	(3,613)
AEA flowthrough	76,373	-	76,373	-	-	-	-
Depreciation (unallocated) *	31,526	-	-	-	(31,526)	-	(31,526)
	<u>131,571</u>	<u>-</u>	<u>76,373</u>	<u>-</u>	<u>(55,198)</u>	<u>-</u>	<u>(55,198)</u>
Total governmental activities	<u>2,306,078</u>	<u>89,484</u>	<u>301,782</u>	<u>-</u>	<u>(1,914,812)</u>	<u>-</u>	<u>(1,914,812)</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b><u>Functions/Programs (continued)</u></b>							
Business type activities							
Non-instructional programs							
Food service operations	\$ 55,009	\$ 36,924	\$ 26,099	\$ -	\$ -	\$ 8,014	\$ 8,014
Daycare and preschool program	5,683	6,763	-	-	-	1,080	1,080
Total business type activities	60,692	43,687	26,099	-	-	9,094	9,094
Total	<u>\$ 2,366,770</u>	<u>\$ 133,171</u>	<u>\$ 327,881</u>	<u>\$ -</u>	<u>(1,914,812)</u>	<u>9,094</u>	<u>(1,905,718)</u>
<b><u>General Revenues</u></b>							
Property tax levied for							
General purposes							
Capital outlay					1,045,124	-	1,045,124
Statewide sales, services and use tax					95,019	-	95,019
Unrestricted state grants					182,780	-	182,780
Contributions and donations					607,568	-	607,568
Unrestricted investment earnings					6,924	-	6,924
Other					1,484	-	1,484
Total general revenues and special item					55,095	-	55,095
Change in net position					1,993,994	-	1,993,994
Net position beginning of year, as restated					79,182	9,094	88,276
Net position end of year					1,450,663	849	1,451,512
					<u>\$ 1,529,845</u>	<u>\$ 9,943</u>	<u>\$ 1,539,788</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2015

Exhibit C

	General	Management Levy	Capital Projects		Nonmajor Special Revenue Fund	Total
			Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax		
<b>Assets</b>						
Cash, cash equivalents and pooled investments	\$ 616,133	\$ 70,799	\$339,386	\$294,705	\$ 6,640	\$1,327,663
Receivables						
Property tax						
Delinquent	8,074	553	866	-	-	9,493
Succeeding year	917,754	200,000	96,399	-	-	1,214,153
Accounts receivable	24,798	-	-	-	18	24,816
Due from other governments	15,740	-	-	28,581	-	44,321
Total assets	<u>\$1,582,499</u>	<u>\$271,352</u>	<u>\$436,651</u>	<u>\$323,286</u>	<u>\$ 6,658</u>	<u>\$2,620,446</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 130,575	\$ -	\$ -	\$ 63,195	\$ -	\$ 193,770
Salaries and benefits payable	70,503	-	-	-	-	70,503
Total liabilities	<u>201,078</u>	<u>-</u>	<u>-</u>	<u>63,195</u>	<u>-</u>	<u>264,273</u>
<b>Deferred inflows of resources</b>						
Succeeding year property tax	<u>917,754</u>	<u>200,000</u>	<u>96,399</u>	<u>-</u>	<u>-</u>	<u>1,214,153</u>
<b>Fund balance</b>						
Restricted for						
Categorical funding	159,264	-	-	-	-	159,264
Physical plant and equipment	-	-	340,252	-	-	340,252
School infrastructure	-	-	-	260,091	-	260,091
Student activities	-	-	-	-	6,658	6,658
Management levy purposes	-	71,352	-	-	-	71,352
Unassigned	<u>304,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,403</u>
Total fund balance	<u>463,667</u>	<u>71,352</u>	<u>340,252</u>	<u>260,091</u>	<u>6,658</u>	<u>1,142,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$1,582,499</u>	<u>\$271,352</u>	<u>\$436,651</u>	<u>\$323,286</u>	<u>\$ 6,658</u>	<u>\$2,620,446</u>

See notes to financial statements.



BENNETT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$1,142,020</b>
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**Amounts reported for governmental activities in the Statement of Net Position  
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,124,120
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(1,177)
--	---------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 98,181	
Deferred inflows of resources	<u>(169,767)</u>	(71,586)

Long-term liabilities, including termination benefits, capital leases and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(663,532)</u>
--	------------------

<b>Net position of governmental activities</b>	<b><u>\$1,529,845</u></b>
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BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Management Levy</u>	<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Total</u>
			<u>Physical Plant and Equipment Levy</u>	<u>Statewide Sales, Services and Use Tax</u>		
Revenues						
Local sources						
Local tax	\$ 984,995	\$ 60,131	\$ 95,019	\$ -	\$ -	\$1,140,145
Tuition	78,834	-	-	-	-	78,834
Other	61,898	56	2,894	467	1,007	66,322
Intermediate sources	3,800	-	-	-	-	3,800
State sources	848,703	-	-	182,780	-	1,031,483
Federal sources	56,846	-	-	-	-	56,846
Total revenues	<u>2,035,076</u>	<u>60,187</u>	<u>97,913</u>	<u>183,247</u>	<u>1,007</u>	<u>2,377,430</u>
Expenditures						
Current						
Instruction						
Regular	1,161,134	3,323	594	80,071	-	1,245,122
Special	237,931	-	-	-	-	237,931
Other	91,306	-	-	-	3,438	94,744
	<u>1,490,371</u>	<u>3,323</u>	<u>594</u>	<u>80,071</u>	<u>3,438</u>	<u>1,577,797</u>
Support services						
Student	26,908	-	-	-	-	26,908
Instructional staff	25,607	-	-	-	-	25,607
Administration	207,170	12,410	19,701	-	-	239,281
Operation & maintenance	135,321	17,208	1,495	615	-	154,639
Transportation	93,019	8,477	80,750	9,575	-	191,821
	<u>488,025</u>	<u>38,095</u>	<u>101,946</u>	<u>10,190</u>	<u>-</u>	<u>638,256</u>
Non-instructional programs	<u>-</u>	<u>2,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,459</u>
Other expenditures						
Facilities acquisition	-	-	10,604	354,264	-	364,868
Long-term debt						
Principal	-	-	-	-	27,293	27,293
Interest and fiscal charges	-	-	-	-	3,920	3,920
AEA flowthrough	76,373	-	-	-	-	76,373
	<u>76,373</u>	<u>-</u>	<u>10,604</u>	<u>354,264</u>	<u>31,213</u>	<u>472,454</u>
Total expenditures	<u>2,054,769</u>	<u>43,877</u>	<u>113,144</u>	<u>444,525</u>	<u>34,651</u>	<u>2,690,966</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

			Capital Projects		Nonmajor Governmental Funds	Total
	General	Management Levy	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax		
Excess (deficiency) of revenues over (under) expenditures	\$ (19,693)	\$ 16,310	\$ (15,231)	\$ (261,278)	\$ (33,644)	\$ (313,536)
Other financing sources (uses)						
Proceeds from disposal of capital assets			-	830	-	830
Proceeds from issuance of capital lease	7,000	-	-	-	-	7,000
Interfund operating transfers in	-	-	-	-	31,213	31,213
Interfund operating transfers (out)	-	-	-	(31,213)	-	(31,213)
Total other financing sources (uses)	7,000	-	-	(30,383)	31,213	7,830
Change in fund balances	(12,693)	16,310	(15,231)	(291,661)	(2,431)	(305,706)
Fund balance, beginning of year	476,360	55,042	355,483	551,752	9,089	1,447,726
Fund balance, end of year	\$ 463,667	\$ 71,352	\$340,252	\$ 260,091	\$ 6,658	\$1,142,020

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit F

**Change in fund balances - total governmental funds** \$ (305,706)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$437,974	
Depreciation expense	<u>(69,093)</u>	368,881

Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 27,293

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(36,170)	
Pension expense	(34,070)	
Other postemployment benefits	<u>(9,527)</u>	(79,767)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due 307

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 68,174

**Change in net position of governmental activities** \$ 79,182

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

Exhibit G

Nonmajor  
Enterprise  
Funds

**Assets**

Current assets

Cash and cash equivalents	\$ 9,793
Accounts receivable	21
Inventories	<u>2,129</u>
Total current assets	11,943

Noncurrent assets

Capital assets, net of accumulated depreciation	<u>9,712</u>
Total noncurrent assets	

Total assets	<u>21,655</u>
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**Deferred Outflows of Resources**

Pension related deferred outflows	<u>2,546</u>
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**Liabilities**

Current liabilities

Accounts payable	4,895
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Noncurrent liabilities

Net pension liability	<u>6,778</u>
Total liabilities	<u>11,673</u>

**Deferred Inflows of Resources**

Pension related deferred inflows	<u>2,585</u>
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**Net Position**

Net investment in capital assets	9,712
Unrestricted	<u>231</u>
Total net position	<u>\$ 9,943</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit H

	Nonmajor Enterprise Funds
Operating revenue	
Local sources	
Charges for service	<u>\$ 43,687</u>
Operating expenses	
Support services	
Operation and maintenance of plant	<u>724</u>
Non-instructional programs	
Food service operations	54,285
Daycare & preschool program	<u>5,683</u>
Total non-instructional program expenses	<u>59,968</u>
Total operating expenses	<u>60,692</u>
Operating loss	<u>(17,005)</u>
Non-operating revenues	
State sources	397
Federal sources	<u>25,702</u>
Total non-operating revenues	<u>26,099</u>
Change in net position	9,094
Net position beginning of year, as restated	<u>849</u>
Net position end of year	<u>\$ 9,943</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit I

Nonmajor  
Enterprise  
Funds

Cash flows from operating activities	
Cash received from sale of services	\$ 43,670
Cash payments to employees for services	(34,829)
Cash payments to suppliers for goods and services	<u>(19,087)</u>
Net cash (used in) operating activities	<u>(10,246)</u>
Cash flows from non-capital financing activities	
State grants received	397
Federal grants received	<u>22,341</u>
Net cash provided by non-capital financing activities	<u>22,738</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(4,500)</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	7,992
Cash and cash equivalents, beginning of year	<u>1,801</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,793</u></u>
<b>Reconciliation of operating (loss) to net cash</b>	
<b>(used in) operating activities</b>	<b>\$(17,005)</b>
Operating (loss )	
Adjustments to reconcile operating (loss) to net	
cash (used in) operating activities	
Depreciation	1,402
Commodities used	3,361
(Increase) in accounts recivable	(17)
(Increase) in inventory	(1,022)
(Increase) in deferred outflows of resources	(1,549)
(Decrease) in net pension liability	(2,608)
Increase in deferred inflows of resources	2,585
Increase in accounts payable	<u>4,607</u>
Net cash (used in) operating activities	<u><u>\$(10,246)</u></u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015 the District received \$3,361 of federal commodities.

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Bennett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Bennett, Iowa, and the agricultural territory in Cedar and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Bennett Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Bennett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:



*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The Management Fund is utilized to account for the property tax and other revenues used for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The District reports no major proprietary funds. However, it reports two nonmajor proprietary funds, the School Nutrition Fund, which is used to account for the food service operations of the District and the Daycare Fund, which is used to account for the daycare

operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$71,352 for management levy purposes, \$340,252 for physical plant and equipment, \$6,658 for student activities and \$260,091 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$169,235 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Iowa Schools Joint Investment Trust is registered with and regulated by the Securities and Exchange Commission. The investment in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

**Note 3. Interfund Transfers**

The details of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major governmental	Statewide Sales, Services and	
Debt service	Use Tax Fund	\$ 31,213

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund were for principal and interest payments on capital leases.

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 2,210	\$ -	\$ -	\$ 2,210
Land improvement	17,200	-	-	17,200
Total capital assets, not being depreciated	19,410	-	-	19,410
Capital assets being depreciated:				
Buildings and improvements	1,053,906	3,300	-	1,057,206
Furniture and equipment	1,167,186	434,674	-	1,601,860
Total capital assets being depreciated	2,221,092	437,974	-	2,659,066
Less accumulated depreciation for:				
Buildings and improvements	726,663	14,715	-	741,378
Furniture and equipment	758,600	54,378	-	812,978
Total accumulated depreciation	1,485,263	69,093	-	1,554,356
Total capital assets being depreciated, net	735,829	368,881	-	1,104,710
Governmental activities capital assets, net	\$ 755,239	\$ 368,881	\$ -	\$ 1,124,120
<u>Business type activities</u>				
Furniture and equipment	\$ 53,677	\$ 4,500	\$ -	58,177
Less accumulated depreciation	47,063	1,402	-	48,465
Business type activities capital assets, net	\$ 6,614	\$ 3,098	\$ -	\$ 9,712

Depreciation expense was charged to the following functions:

#### Governmental activities

Instruction	
Regular	\$ 5,365
Support services	
Operation and maintenance of plant	4,551
Transportation	27,651
	37,567

Unallocated depreciation	<u>31,526</u>
Total governmental activities depreciation expense	<u>\$ 69,093</u>

**Business type activities**

Food services	<u>\$ 1,402</u>
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**Note 5. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<b>Governmental activities</b>					
Capital leases	\$ 144,257	\$ -	\$ (27,293)	\$ 116,964	\$ 66,371
Termination benefits	10,000	41,170	(5,000)	46,170	21,170
Net pension liability	616,444	-	(171,280)	445,164	-
Net OPEB liability	<u>45,707</u>	<u>11,642</u>	<u>(2,115)</u>	<u>55,234</u>	<u>-</u>
Totals	<u>\$ 816,408</u>	<u>\$ 52,812</u>	<u>\$(205,688)</u>	<u>\$ 663,532</u>	<u>\$ 87,541</u>
<b>Business type activities</b>					
Net pension liability	<u>\$ 9,386</u>	<u>\$ -</u>	<u>\$ (2,608)</u>	<u>\$ 6,778</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on long-term debt was \$3,613 for the year ended June 30, 2015. There were \$27,293 of principal and \$3,920 of interest payments made on long-term debt during the year ended June 30, 2015

Termination Benefits

During the fiscal year ended June 30, 2011 and 2015, the District offered a voluntary early retirement plan to its licensed employees, who met certain eligibility guidelines. This voluntary early retirement plan is offered annually, at the Board's discretion. Eligible employees were required to be at least age fifty-seven years of age and have completed fifteen years of consecutive contracted full-time service to the District. Employees were required to complete an application, which was approved by the Board of Education. The benefit amount is \$25,000 per retiree. Retirees may also qualify for additional per diem pay for unused sick leave:

- 20 additional days per diem pay for 110-120 unused sick leave days
- 15 additional days per diem pay for 100-109 unused sick leave days
- 10 additional days per diem pay for 90-99 unused sick leave days
- 5 additional days per diem pay for 80-89 unused sick leave days

Benefits are paid in five equal installments over five fiscal years, beginning with the year following retirement. There were \$5,000 of expenditures for termination benefits for the year ended June 30, 2015. At June 30, 2015, the District had obligations to two participants totaling \$46,170.



## Capital Leases

In April and May 2014, the District entered into capital leases for the purchase of buses. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2015.

	Year Ending <u>June 30,</u>	Bus #4 <u>Lease</u>	Bus #6 <u>Lease</u>	<u>Total</u>
	2016	\$ 55,500	\$ 14,052	\$ 69,552
	2017	<u>-</u>	<u>52,000</u>	<u>52,000</u>
Minimum lease payments		55,500	66,052	121,552
Less amount representing interest		<u>1,433</u>	<u>3,155</u>	<u>4,588</u>
Present value of minimum lease payments		<u>\$ 54,067</u>	<u>\$ 62,897</u>	<u>\$ 116,964</u>

## **Note 6. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$70,708.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$451,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the

pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.011167 percent, which was an increase of 0.000114 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$35,032. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,912	\$ -
Changes of assumptions	19,945	-
Net difference between projected and actual earnings on pension plan investments	-	172,352
Changes in proportion and differences between District contributions and proportionate share of contributions	5,162	-
District contributions subsequent to the measurement date	<u>70,708</u>	<u>-</u>
Total	<u>\$ 100,727</u>	<u>\$ 172,352</u>

\$70,708 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (36,074)
2017	(36,074)
2018	(36,074)
2019	(36,074)
2020	1,963
Total	<u>\$ (142,333)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$853,902	\$451,942	\$112,617

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$6,605 for legally required employer contributions and \$4,401 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## **Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 29 active members, of which 18 waived coverage, and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District pays for all but \$50 of active administration staff family coverage and all but \$100 of active teaching staff family coverage. The district pays 100% of single and single/child coverage. Retired participants are assumed to pay 100% of the required premium. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any

unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 10,499
Interest on net OPEB obligation	1,143
Adjustment to annual required contribution	<u>(2,115)</u>
Annual OPEB cost	9,527
Contributions made	<u>-</u>
Increase in net OPEB obligation	9,527
Net OPEB obligation beginning of year	<u>45,707</u>
Net OPEB obligation end of year	<u>\$ 55,234</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 8,163	0.0%	\$ 37,204
2014	\$ 8,503	0.0%	\$ 45,707
2015	\$ 9,527	0.0%	\$ 55,234

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$74,190, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$74,190. The covered payroll (annual payroll of active employees covered by the plan) was \$767,679 and the ratio of UAAL to covered payroll was 9.7%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as

actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$397.29 for single and \$1,219.27 for family. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The salary increase rate was assumed to be 2.75% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$76,373 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 10. Whole-grade Sharing Agreement**

In July 2005 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District began sending their students in grades 7-12 to Durant Community School District for instruction beginning in fiscal 2006. Beginning in July 2011, the District also had a whole-grade sharing agreement with Tipton Community School District. After June 30, 2005, the Bennett Community School District no longer provided instruction within their district for middle school and high school students. Bennett Community School District receives funding from the State of Iowa for these students, who continue to be counted on the District's certified enrollment. In turn, the District pays tuition for these students to Durant Community School District and Tipton Community School District based upon the amount stated in the whole-grade sharing agreements.

## **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## **Note 12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	
Home school assistance program	\$ 12,492
At-risk	17,531
Gifted and Talented	67,513
Beginning teacher mentoring and induction program	924
Evaluator training	6
Class size reduction	16,410
Successful Progression for Early Readers	26,482
Educator quality, professional development	5,944
Educator quality, professional development	9,631
Teacher Leadership Grants	<u>2,331</u>
	<u>\$ 159,264</u>



### Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30,2014, as previously reported	\$ 2,001,517	\$ 9,238
Net pension liability at June 30, 2014	(616,444)	(9,386)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>65,590</u>	<u>997</u>
Net position July 1, 2014, as restated	<u>\$ 1,450,663</u>	<u>\$ 849</u>

### Note 14. Deficit Net Position

The District's Enterprise, School Nutrition Fund had negative unrestricted net position of \$849 at June 30, 2015.

## Required Supplementary Information

# BENNETT COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Fund Required Supplementary Information For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 1,285,301	\$ 43,687	\$ 1,328,988	\$ 1,554,858	\$ 1,554,858	\$ (225,870)
Intermediate sources	3,800	-	3,800	-	-	3,800
State sources	1,031,483	397	1,031,880	955,824	955,824	76,056
Federal sources	56,846	25,702	82,548	56,783	56,783	25,765
Total revenues	<u>2,377,430</u>	<u>69,786</u>	<u>2,447,216</u>	<u>2,567,465</u>	<u>2,567,465</u>	<u>(120,249)</u>
<b>Expenditures/Expenses</b>						
Instruction	1,577,797	-	1,577,797	1,883,000	1,883,000	305,203
Support services	638,256	-	638,256	660,700	660,700	22,444
Non-instructional programs	2,459	60,692	63,151	72,000	72,000	8,849
Other expenditures	472,454	-	472,454	156,993	156,993	(315,461)
Total expenditures/expenses	<u>2,690,966</u>	<u>60,692</u>	<u>2,751,658</u>	<u>2,772,693</u>	<u>2,772,693</u>	<u>21,035</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(313,536)	9,094	(304,442)	(205,228)	(205,228)	(99,214)
Net other financing sources	<u>7,830</u>	<u>-</u>	<u>7,830</u>	<u>-</u>	<u>-</u>	<u>7,830</u>
Change in fund balance	(305,706)	9,094	(296,612)	(205,228)	(205,228)	(91,384)
Balance, beginning of year, as restated	<u>1,447,726</u>	<u>849</u>	<u>1,448,575</u>	<u>885,021</u>	<u>885,021</u>	<u>563,554</u>
Balance, end of year	<u>\$ 1,142,020</u>	<u>\$ 9,943</u>	<u>\$ 1,151,963</u>	<u>\$ 679,793</u>	<u>\$ 679,793</u>	<u>\$ 472,170</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.011167 %
District's proportionate share of the net pension liability	\$ 451,942
District's covered-employee payroll	\$ 791,803
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.08%
Plan fiduciary net position as a percentnage of the total pension liability	87.61%

\*The amounts preseneted for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 70,708	\$ 66,581	\$ 65,898	\$ 54,552	\$ 49,018	\$ 45,793	\$ 41,189	\$ 37,799	\$ 33,653	\$ 35,875
Contributions in relation to the statutorily required contribution	<u>(70,708)</u>	<u>(66,581)</u>	<u>(65,898)</u>	<u>(54,552)</u>	<u>(49,018)</u>	<u>(45,793)</u>	<u>(41,189)</u>	<u>(37,799)</u>	<u>(33,653)</u>	<u>(35,875)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 791,803	\$ 745,588	\$ 760,069	\$ 675,985	\$ 705,295	\$ 688,617	\$ 648,646	\$ 624,777	\$ 585,270	\$ 623,913
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Bennett Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Bennett Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 71,654	\$ 71,654	\$ -	\$ 707,896	10.1%
2011	July 1, 2009	-	75,018	75,018	-	707,591	10.6%
2012	July 1, 2009	-	77,964	77,964	-	658,804	11.8%
2013	July 1, 2012	-	70,899	70,899	-	703,575	10.1%
2014	July 1, 2012	-	74,190	74,190	-	722,893	10.3%
2015	July 1, 2012	-	74,190	74,190	-	767,679	9.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Nonmajor Special Revenue Fund  
June 30, 2015

Schedule 1

	<u>Student Activity</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$6,640
Receivables	
Accounts receivable	<u>18</u>
Total assets	<u>\$6,658</u>
 <b>Liabilities Deferred Inflows of Resources and Fund Balances</b>	
Liabilities	<u>\$ -</u>
 Fund balances	
Restricted for	
Student activities	<u>6,658</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$6,658</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2

	<u>Special Revenue Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues			
Local sources			
Other	\$ 1,007	-	1,007
Expenditures			
Current			
Instruction			
Other	3,438	-	3,438
Other expenditures			
Long-term debt			
Principal	-	27,293	27,293
Interest and fiscal charges	-	3,920	3,920
Total other expenditures	-	31,213	31,213
Total expenditures	3,438	31,213	34,651
Excess (deficiency) of revenues over (under) expenditures	(2,431)	(31,213)	(33,644)
Other financing uses			
Interfund operating transfers in	-	31,213	31,213
Change in fund balances	(2,431)	-	(2,431)
Fund balances, beginning of year	9,089	-	9,089
Fund balances, end of year	<u>\$ 6,658</u>	<u>\$ -</u>	<u>\$ 6,658</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash, cash equivalents	\$8,722	\$ 1,071	\$9,793
Accounts receivable	12	9	21
Inventories	2,129	-	2,129
Total current assets	10,863	1,080	11,943
Noncurrent assets			
Capital assets, net of accumulated depreciation	9,712	-	9,712
Total assets	<u>20,575</u>	<u>1,080</u>	<u>21,655</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>2,546</u>	<u>-</u>	<u>2,546</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	4,895	-	4,895
Noncurrent liabilities			
Net pension liability	6,778	-	6,778
Total liabilities	<u>11,673</u>	<u>-</u>	<u>11,673</u>
<b>Deferred inflows of resources</b>			
Pension related deferred inflows	<u>2,585</u>	<u>-</u>	<u>2,585</u>
<b>Net Position</b>			
Investment in capital assets	9,712	-	9,712
Unrestricted	(849)	1,080	231
Total net position	<u>\$8,863</u>	<u>\$ 1,080</u>	<u>\$9,943</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 4

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$36,924	\$ 6,763	\$43,687
Operating expenses			
Support services			
Operation and maintenace of plant			
Purchased services	724	-	724
Non-instructional programs			
Salaries	24,747	4,875	29,622
Benefits	2,827	808	3,635
Purchased services	199	-	199
Supplies	25,110	-	25,110
Property	-	-	-
Miscellaneous	-	-	-
Depreciation	1,402	-	1,402
	<u>54,285</u>	<u>5,683</u>	<u>59,968</u>
Total operating expenses	<u>55,009</u>	<u>5,683</u>	<u>60,692</u>
Operating (loss)	<u>(18,085)</u>	<u>1,080</u>	<u>(17,005)</u>
Non-operating revenue			
State sources	397	-	397
Federal sources	25,702	-	25,702
Total non-operating revenue	<u>26,099</u>	<u>-</u>	<u>26,099</u>
Change in net position	8,014	1,080	9,094
Net position, beginning of year as restated	<u>849</u>	<u>-</u>	<u>849</u>
Net position, end of year	<u>\$ 8,863</u>	<u>\$ 1,080</u>	<u>\$ 9,943</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 5

	<u>School</u> <u>Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 36,916	\$ 6,754	\$ 43,670
Cash payments to employees for services	(29,146)	(5,683)	(34,829)
Cash payments to suppliers for goods and services	(19,087)	-	(19,087)
Net cash provided by (used in) operating activities	<u>(11,317)</u>	<u>1,071</u>	<u>(10,246)</u>
Cash flows from non-capital financing activities			
State grants received	397	-	397
Federal grants received	22,341	-	22,341
Net cash provided by non-capital financing activities	<u>22,738</u>	<u>-</u>	<u>22,738</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(4,500)	-	(4,500)
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	6,921	1,071	7,992
Cash and cash equivalents, beginning of year	1,801	-	1,801
Cash and cash equivalents, end of year	<u>\$ 8,722</u>	<u>\$ 1,071</u>	<u>\$ 9,793</u>

**Reconciliation of operating income (loss) to net cash provided by (used in) operating activities**

Operating income (loss )	\$(18,085)	\$ 1,080	\$(17,005)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	1,402	-	1,402
Commodities used	3,361	-	3,361
(Increase) in accounts receivable	(8)	(9)	(17)
(Increase) in inventory	(1,022)	-	(1,022)
(Increase) in deferred outflows of resources	(1,549)		(1,549)
(Decrease) in net pension liability	(2,608)		(2,608)
Increase in deferred inflows of resources	2,585		2,585
Increase in accounts payable	4,607	-	4,607
Net cash provided by (used in) operating activities	<u>\$(11,317)</u>	<u>\$ 1,071</u>	<u>\$(10,246)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015 the District received \$3,361 of federal commodities.

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Yearbook	\$ 977	\$ 992	\$ 253	\$ 1,716
Student council	5,284	-	566	4,718
Music supplies	2,626	-	2,619	7
Interest	<u>202</u>	<u>15</u>	<u>-</u>	<u>217</u>
Totals	<u>\$ 9,089</u>	<u>\$ 1,007</u>	<u>\$ 3,438</u>	<u>\$ 6,658</u>

See accompanying Independent Auditor's Report.



BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

Schedule 7

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Local sources										
Local tax	-	\$1,105,798	\$1,258,639	\$1,298,634	\$1,164,811	\$1,133,788	\$1,071,909	\$1,079,748	\$1,139,265	\$1,100,314
Tuition	1,140,145	75,087	61,632	42,448	43,108	27,730	26,665	25,640	35,397	18,964
Other	78,834	57,721	47,889	86,591	58,022	62,289	86,428	113,181	102,757	122,711
Intermediate sources	66,322	5,000	3,600	14,175	-	-	-	-	-	-
State sources	3,800	1,137,323	801,386	754,672	825,933	537,167	882,724	949,175	854,228	826,719
Federal sources	1,031,483	62,443	54,995	120,126	118,322	145,607	49,692	29,501	42,307	61,108
<b>Total revenues</b>	<b>\$2,320,584</b>	<b>\$2,443,372</b>	<b>\$2,228,141</b>	<b>\$2,316,646</b>	<b>\$2,210,196</b>	<b>\$1,906,581</b>	<b>\$2,117,418</b>	<b>\$2,197,245</b>	<b>\$2,173,954</b>	<b>\$2,129,816</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	-	\$1,283,965	\$1,271,682	\$1,244,359	\$1,221,909	\$1,244,212	\$1,217,833	\$1,151,235	\$1,124,226	\$1,129,230
Special	1,245,122	216,696	259,990	176,582	111,239	122,717	111,420	163,629	196,736	169,487
Other	237,931	100,364	85,165	71,368	67,279	71,259	61,015	54,293	43,174	90,744
Support services										
Student	-	27,364	22,622	16,572	19,588	18,866	9,699	9,665	6,325	5,597
Instructional staff	26,908	23,224	21,118	14,532	18,072	21,212	26,726	39,423	20,219	19,845
Administration	25,607	246,095	242,074	310,773	214,056	205,315	214,061	186,590	175,622	220,663
Operation and maintenance of plant	239,281	149,295	146,337	136,027	217,919	119,225	143,055	145,872	122,963	118,335
Transportation	154,639	324,831	168,665	128,801	98,260	175,081	79,249	99,952	78,215	131,348
Central support	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	638,256	1,716	1,586	1,318	899	910	831	748	158	-
Other expenditures										
Facilities acquisition	2,690,966	102,284	87,580	84,658	50,908	34,596	63,687	27,335	29,964	37,693
Long-term debt										
Principal	-	-	-	-	130,000	40,000	40,000	35,000	35,000	30,000
Interest and other charges	-	-	-	-	8,144	9,415	11,515	13,352	15,190	16,765
AEA flowthrough	-	75,740	71,641	71,582	81,475	80,045	76,498	75,096	71,569	68,747
<b>Total expenditures</b>	<b>\$5,258,710</b>	<b>\$2,551,574</b>	<b>\$2,378,460</b>	<b>\$2,256,572</b>	<b>\$2,239,748</b>	<b>\$2,142,853</b>	<b>\$2,055,589</b>	<b>\$2,002,190</b>	<b>\$1,919,361</b>	<b>\$2,038,454</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of  
Bennett Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 29, 2016.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bennett Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bennett Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bennett Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiencies described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Bennett Community School District's Responses to the Findings

Bennett Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Bennett Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Bennett Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 29, 2016

BENNETT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were reported.

**SIGNIFICANT DEFICIENCIES**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related To Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the amount budgeted in the other expenditures function.

Recommendation - The certified budget should have been amended to a sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend future budgets, if necessary, to sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2015

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and there were no material errors noted in the amounts reported.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

# BENNETT COMMUNITY SCHOOL DISTRICT

## Schedule of Findings

For the Year Ended June 30, 2015

Beginning balance		\$ 551,752
Revenues		
Statewide sales, services and use tax	\$ 182,780	
Other local revenues	467	
Proceeds of disposal of capital assets	<u>830</u>	184,077
Expenditures/transfers out		
Whole-grade sharing agreement		
School infrastructure		
Land		
School infrastructure construction	\$ 354,264	
Equipment	90,261	
Debt service for school infrastructure		
Capital leases	<u>31,213</u>	<u>475,738</u>
Ending balance		<u>\$ 260,091</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Net Position - The District's Enterprise, School Nutrition Fund had negative unrestricted net position of \$849 at June 30, 2015.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit in order to return the fund to sound financial condition.

Response - This deficit was a result of adopting GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes as we deem necessary.

Conclusion - Response accepted.

BENNETT COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2015

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant